

**DONALD J. CARTY**  
**Chairman, President, and Chief Executive Officer**  
**AMR CORPORATION and AMERICAN AIRLINES, INC.**

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Donald J. Carty became chairman, president, and chief executive officer of AMR Corporation on May 20, 1998, after serving as president of AMR Airline Group and American Airlines since March 15, 1995.

Prior to becoming chairman, Mr. Carty was the Company's principal airline executive, responsible for all operational elements of the American and American Eagle domestic and international route systems, which comprise nearly 290 destinations with over 3,600 daily flights.

Between 1989 and 1995, Mr. Carty was executive vice president-finance and planning for AMR and American Airlines, overseeing a broad range of strategic planning matters and a wide array of critical financial activities.

Mr. Carty had been a key executive for American before leaving the airline in March 1985 to become president and CEO of CP Air in Canada. In March of 1987, he returned to American and was elected senior vice president-airline planning. At the time of his departure for CP Air, Mr. Carty was American's senior vice president and controller.

Before joining American, Carty spent seven years in various management positions with Celanese Canada, Ltd., Air Canada, and the Canadian Pacific Railway.

Mr. Carty is a graduate of Queen's University in Kingston, Ontario, and of the Harvard Graduate School of Business Administration. He serves on the boards of directors of Dell Computer Corporation, Brinker International, and the Canada-U.S. Foundation for Educational Exchange. He is a member of the Dallas Citizens Council. Mr. Carty and his wife, Ana, live in Dallas.

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AMERICAN AIRLINES

REMARKS OF DONALD J. CARTY  
CHAIRMAN AND CEO  
AMERICAN AIRLINES  
U.S. TRADE DEFICIT REVIEW COMMISSION HEARING  
JANUARY 21, 2000  
DALLAS, TEXAS

GOOD MORNING. I APPRECIATE THE OPPORTUNITY TO BE HERE TODAY - TO REPRESENT AMERICAN AIRLINES, AND TO PARTICIPATE IN THE VERY IMPORTANT BUSINESS OF THIS COMMISSION. AS EVERYONE HERE TODAY KNOWS, THE SIZE AND DIMENSION OF THE UNITED STATES TRADE DEFICIT HAVE SIGNIFICANT CONSEQUENCES FOR THE WELL-BEING OF THE U.S. ECONOMY, AND FOR THE MEN AND WOMAN AND BUSINESSES - LARGE AND SMALL - WHOSE ACTIVITIES DRIVE IT.

THUS, IT BEHOOVES US ALL TO BETTER UNDERSTAND THE NATURE, CAUSES AND CONSEQUENCES OF THE DEFICIT. WE APPLAUD THIS COMMISSION'S EFFORTS TO DO THAT, AND I WILL TRY TO PROVIDE WHATEVER INSIGHT I CAN TODAY AS TO THE ROLE THAT AIRLINES, AND AMERICAN AIRLINES IN PARTICULAR, CAN AND OUGHT TO PLAY IN DRIVING EVEN MORE U.S. EXPORTS IN THE YEARS TO COME.

AT AMERICAN, OUR INTERNATIONAL ACTIVITIES HAVE BEEN STEADILY RISING SINCE THE MID- 1980S. DURING THE PAST DECADE AND A HALF, WE HAVE DEVELOPED A ROBUST SERVICE NETWORK IN EUROPE. LATIN AMERICA. AND THE CARIBBEAN - AS WELL AS A SMALL BUT GROWING PRESENCE IN JAPAN.

OUR INTERNATIONAL EFFORTS HAVE INTENSIFIED IN RECENT YEARS, DRIVEN BY AN INCREASE IN BOTH:

- DEMAND -- AS MORE AND MORE OF OUR CUSTOMERS NOW WANT AND EXPECT A NETWORK THAT CAN TAKE THEM ANYWHERE IN THE WORLD THEY WANT TO GO; AND
- OPPORTUNITY - AS MANY RESTRICTIVE BILATERAL AVIATION AGREEMENTS HAVE BEEN REPLACED BY LIBERALIZED "OPEN SKIES" AGREEMENTS.

BY AND LARGE, IN AN OPEN SKIES FRAMEWORK, U.S. AIRLINES HAVE PROVEN TO BE VERY ABLE COMPETITORS. OWING AT LEAST IN PART TO OUR TWO DECADES OF INTENSE FREE-MARKET COMPETITION IN THE DOMESTIC MARKETPLACE, U.S. AIRLINES ARE AMONG THE MOST EFFICIENT IN THE WORLD - AND THE MARKETPLACE SUCCESS THAT EFFICIENCY TENDS TO DRIVE CREATES A VERY POSITIVE IMPACT ON THE FLOW OF FUNDS BACK TO THE UNITED STATES, PARTIALLY OFFSETTING THE COUNTRY'S TRADE IN GOODS DEFICIT. THIS IS BECAUSE AMERICAN TRAVELERS CHOOSE U.S. CARRIERS FOR THEIR WORLD TRAVEL, AND A DISPROPORTIONATE NUMBER OF FOREIGN TRAVELERS PREFER OUR AIRLINES AS WELL - MAKING THE UNITED STATES A NET EXPORTER OF GLOBAL AIR TRANSPORTATION SERVICES.

THIS EFFICIENCY HAS CERTAINLY HELPED US IN THE U.S.-LATIN AMERICA MARKET. SINCE TAKING OVER THE LATIN AMERICAN NETWORK OF EASTERN AIRLINES BACK IN 1990, WE HAVE EXPANDED AMERICAN'S SERVICE TO THAT REGION TREMENDOUSLY.

OUR CAPACITY IN THE U.S.-LATIN AMERICA MARKET HAS GROWN BY 23% PER YEAR, AND WE'VE GROWN 7% PER YEAR IN THE U.S.-MEXICO MARKET. WE NOW SERVE SOME 28 CITIES IN 16 COUNTRIES, AND WE HAVE THE LEADING MARKET SHARE BETWEEN THE UNITED STATES AND VIRTUALLY ALL THOSE DESTINATIONS.

IT IS IMPORTANT TO NOTE ALSO THAT TODAY ONLY ABOUT 40% OF THE LOCAL PASSENGERS CARRIED BY AMERICAN IN THE U.S.-LATIN AMERICA MARKET ORIGINATE IN THE UNITED STATES, WHILE IN THE U.S.-MEXICO MARKET, THAT NUMBER IS 58%. THIS TRANSLATES INTO SIGNIFICANT POSITIVE FLOWS TO THE U.S. BALANCE OF PAYMENTS, AS A GROWING NUMBER OF BUSINESS TRAVELERS AND TOURISTS VISIT THE UNITED STATES EACH YEAR.

WE THINK THERE IS TREMENDOUS OPPORTUNITY FOR CONTINUED GROWTH IN LATIN AMERICA, AND WE HOPE THE ADMINISTRATION WILL CONTINUE TO PURSUE OPEN SKIES THROUGHOUT THE REGION. AND WHILE LATIN AMERICA IS OBVIOUSLY THE MAIN TOPIC OF DISCUSSION TODAY, I THINK THE ABILITY OF AIRLINES TO MAKE A POSITIVE IMPACT ON THE BALANCE OF TRADE TO THAT REGION IS ILLUSTRATIVE OF WHAT IS POSSIBLE IN OTHER AREAS OF THE WORLD AS WELL.

FOR EXAMPLE, IN RECENT MONTHS WE HAVE BEEN MAKING OUR CASE WITH THE ADMINISTRATION FOR THE AUTHORITY TO PROVIDE PASSENGER SERVICE BETWEEN THE UNITED STATES AND CHINA. FROM A MACROECONOMIC STANDPOINT, ONE MORE PASSENGER AIRLINE SERVING THAT COUNTRY WOULD HARDLY PUT A DENT IN THE MASSIVE U.S.-CHINA TRADE DEFICIT. HOWEVER, WE BELIEVE IT WOULD CERTAINLY BE HELPFUL, BOTH IN TERMS OF GENERATING POSITIVE FLOWS TO THE U.S., AND IN FACILITATING THE BUSINESS RELATIONSHIPS THAT WILL BE REQUIRED TO INCREASE AMERICAN EXPORTS.

WHILE THE LIBERALIZATION OF AVIATION TREATIES BETWEEN THE UNITED STATES AND OTHER COUNTRIES -- WHETHER IT'S IN THE FORM OF INCREMENTAL AUTHORITY TO CHINA, OR FULL BLOWN OPEN SKIES TO ANY NATION IN LATIN AMERICA, EUROPE OR ELSEWHERE -- IS OBVIOUSLY GOOD FOR U.S. AIRLINES, THE CONTINUED DEVELOPMENT OF GLOBAL AVIATION, FUELED BY LIBERALIZATION, IS ALSO UNEQUIVOCALLY GOOD FOR U.S. EXPORTS OF HIGH VALUE MANUFACTURED PRODUCTS.

THE MOST STRIKING EXAMPLE OF THIS IS, OF COURSE, BOEING. AS THE UNITED STATES' LARGEST EXPORTER, BOEING STANDS TO GAIN ENORMOUSLY AS NATIONS AROUND THE WORLD DEVELOP AND UPGRADE THEIR AVIATION SYSTEMS. AND AS AN EXCLUSIVE BOEING CUSTOMER, EACH TIME AMERICAN IS ABLE TO ADD NEW INTERNATIONAL SERVICE, WE ARE -- THROUGH OUR RELATIONSHIP WITH BOEING -- HELPING TO FUEL THAT EXPORT ENGINE.

MOREOVER, AS COUNTRIES AROUND THE WORLD CONTINUE TO DEVELOP THEIR AVIATION SYSTEMS, THEY WILL NEED TO INVEST IN THE TECHNOLOGY AND EQUIPMENT NECESSARY TO BUILD MODERN INFRASTRUCTURES. THE UNITED STATES IS THE WORLD LEADER WHEN IT COMES TO PROVIDING THE AVIONICS, MODERN AIRPORT TECHNOLOGY AND OTHER PREREQUISITES FOR A MODERN AVIATION SYSTEM.

TO SUM UP, FROM OUR STANDPOINT, THERE IS A CLEAR LINK BETWEEN THE CONTINUED PUSH FOR OPEN SKIES, THE DEVELOPMENT OF THE GLOBAL AVIATION SYSTEM, AND THE PROGRESS WE NEED TO MAKE WITH REGARD TO THE U.S. TRADE DEFICIT. IN A LIBERALIZED MARKETPLACE, U.S. AIRLINES TEND TO DO VERY WELL. OUR SUCCESS, IN TURN, INCREASES FLOWS BACK TO THE UNITED STATES. AND AS THE

AVIATION BONDS BETWEEN THE U.S. AND THE REST OF THE WORLD DEVELOP, THE DEMAND FOR AIRCRAFT AND THE OTHER COMPONENTS OF AVIATION INFRASTRUCTURE, BEST PROVIDED BY U.S. COMPANIES, WILL INCREASE AS WELL.

I WOULD LIKE TO THANK THE COMMISSION ONCE AGAIN FOR THE OPPORTUNITY TO PARTICIPATE TODAY. WE APPRECIATE YOUR EFFORTS, AND WISH YOU THE BEST OF LUCK IN COMPLETING YOUR IMPORTANT WORK.